

ECONOMY AND FINANCE

# A NEW INDUSTRIAL POLICY

Challenges for Italy

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The lack of industrial policy in Italy in recent decades should be noted.



The great economic and ecological challenges of the present make new industrial policies essential.



These policies must seize the opportunities of environmental and digital transitions.



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The current historical juncture is one of the most challenging Italy has ever faced, not only recently but also historically. First the Covid-19 pandemic and then the current terrible international wars and the consequent energy crisis are all weakening a country that was already on its knees.

Stagnating productivity and investment is a long-term issue, as is inadequate infrastructure, which is now crumbling. Furthermore, many production sectors are no longer capable of competing internationally. A thoroughgoing long-term strategy is lacking, unemployment remains high and what jobs there are tend to be precarious and low quality.

The decisions made by the current government not only fail to address these trends, they exacerbate them.

The 2024 Budget Act contains no industrial and investment policy direction capable of creating jobs and tackling the many companies currently in crisis. The government's market-oriented approach continues to rely on automatic and generalised incentives for business that have no impact on productivity mechanisms, company size and income distribution.

Public investments are being cut, and delays and uncertainties are increasing over the implementation of the National Recovery and Resilience Plan (PNRR – Piano Nazionale di Ripresa e Resilienza). Privatisation has also been put back on the table, in the form of selling shares in publicly owned companies to hedge funds, a nonsensical decision in economic, industrial and public finance terms.

Statements by the government to the effect that, in an especially complex situation and with limited resources, its policies are supporting the more vulnerable with a special focus on employment are entirely baseless. In fact, economic policies such as this do nothing to respond to the current wage crisis and no public industrial and public policies on health and education have been forthcoming. And this is primarily because there is no will to tap into existing resources: large-scale assets, financial and real estate profits, windfall gains in all sectors, and tax and national insurance evasion.

If we are to tackle the serious problems Italy is facing it is more urgent than ever that a different economic policy be adopted, founded on the taxman's redistributive power, collective bargaining and boosting investment. The great environmental and technological transitions now under way require profound change in economic and social policies. This can no longer be put off. The climate crisis is worsening and the absence of an industrial strategy on digital technologies risks consigning the country to the margins of technological innovation.

## THE CLIMATE CRISIS

The year 2023 was the hottest on record. A recent announcement by the World Meteorological Organization

stressed that the rise in temperatures in Europe and the Mediterranean since the Industrial Revolution is close to double that of the rest of the world. There is a very close correlation between climate change, global warming and the use of fossil fuels. This is the crux of the issue. Some of the data are crystal clear: the report of the Intergovernmental Panel on Climate Change (IPCC) published in March 2023 warned that global warming will pass the 1.5°C level – over pre-industrial levels – by 2040 and highlighted that the last window of opportunity is about to close regarding action to ensure a liveable and sustainable future for everyone. If we continue as we are now global warming will reach 3.2°C by 2100.

If we do not act now every region of the world will face unpredictable increases in climate risks.

Despite all this, public and private spending on fossil fuels is still higher than spending on climate adaptation and mitigation.

Decarbonisation nevertheless is an integral part of the international sustainable development goals set out in the 2015 Paris Agreement, the 2030 United Nations Agenda, the EU Green Deal, the Next Generation programme, the European Climate Law approved on 21 June 2021, Fit for 55 and RePower EU. The goals agreed in Europe involve cutting EU emissions by 55 per cent by 2030 and achieving climate neutrality by 2050. The European Commission issued new advice on 6 February 2024 with CO<sub>2</sub> emission reduction targets of 90 per cent by 2040.

These are drastic emission reductions. There is no room for delay or squandering resources on investments not designed to achieve these targets.

If the right approach is taken, the environmental transition can be a great employment opportunity, but any delays in implementing it will lead to serious job losses. Public policies and investments capable of managing industrial and production reconversion toward strategic and environmentally and socially sustainable supply chains must be enacted right away. This will be decisive in terms of company competitiveness and energy cost reduction, as well as with regard to dependence on other countries in a context of great geopolitical instability. Italy has experienced high oil and gas price volatility first hand in recent years. First the Ukraine War and now the horrific events currently unfolding in the Middle East are both clear signs of this. Until just a short time ago oil and gas were seen as cost-effective on the grounds that prices were low and moving downwards. These raw materials are not available in Italy, however, and thus need for the most part to be sourced from third countries. Prices and supply are extremely volatile and spike in the event of international tensions.

It is thus a question of making a strategic choice that gets to the heart of the problem: freeing ourselves from dependence on oil and gas and investing in renewable energies. This is made possible by the fact that the technologies

required to replace fossil fuels for the most part already exist. E-mobility, heat pumps, batteries, photovoltaic panels and wind energy are all key to this transition and are all likely to be acceptable to the public in terms of price, performance, risk and environmental impact.

We must accept that efforts to achieve net-zero emission goals will have extremely significant consequences in both scale and technical terms. It will have consequences for production quality, lifestyles, values and finance. It will involve profound systemic change, not simply technological transformation. Changing lifestyles and economic and social models are all key political issues. They entail rethinking our development model's terms and parameters, orienting them to production quality, reassessing common and public assets, know-how and culture, and social conditions.

Naturally, achieving these renewable energy development goals will be an epic challenge requiring decisive political action. This will begin with the bureaucratic hurdles resulting from myriad and frequently conflicting laws and regulations which are difficult to implement and whose time frames stretch over a long period.

What is needed is a national industrial policy integrated with the new European industrial strategy and applied to trading policies. A policy capable of responding effectively and efficiently to the changes triggered by the new geopolitical scenario and economic security demands (de-risking and a consequent strategy of open strategic autonomy) which require giving thought to overhauling critical supply chains (semi-conductors, medical instruments, batteries and strategic raw materials, etc.), shortening and streamlining supply chains and thus reducing dependence on foreign countries.

There is no doubt that in a context such as this any viable strategy should lead to institutionalised cooperation via real strengthening of the international institutions (above all the WTO) and above all a redefinition of crucial production chains by means of an integrated strategy involving the member states and the EU and a co-ordinated mix of national and European policies.

Such profound change requires an extraordinary investment programme backed by significant EU and national resources for decades to come. The Italian government's recent economic decisions, however, have been totally inadequate for a historic shift of these proportions. The resources currently available are in the PNRR, the European structural investment funds 2021–2027, RePower EU, Just Transition and innovation funds and in projects of common European interest. These resources need to be spent in the best possible way - something which is not currently happening in Italy - but nevertheless they are not sufficient to tackle the complexities of green transformation. This is even more true in light of the new Stability and Growth Pact regulation agreed at the 20 December 2023 Ecofin meeting. This is a fundamentally wrongheaded approach which, if finally approved, will not only aggravate Europe's

existing economic difficulties but also prevent it from allocating the huge common resources it needs to cope with the environmental transition. The New Stability and Growth Pact, with a return to fiscal austerity on one hand and increases in state aid to help manage the two transitions on the other, will ultimately favour those countries with sufficient fiscal headroom. Italy, whose government agreed to this proposed revision of European economic governance, is not one of these countries because of its high public debt and interest rate trends, leading to increased debt service spending.

What Europe really needs is new fiscal rules and financial instruments with which to mutualise its debts and share the risks. A new recovery is needed in line with the EU Next Generation model, for example, to shore up decarbonisation and boost investments in green conversion of the economy. For all these reasons the already limited resources available must not be squandered and should all go into public and private investment in renewable energies, constructing a real industrial chain, new development and new opportunities for quality jobs on this basis, as well as true national autonomy with regard to energy policies.

The Italian government's choices are going in a totally different direction. The approach set out in the new Integrated Energy and Climate Plan (PNIEC), the recent Energy Decree and the Mattei Plan are worrying and should not be agreed to. These decisions - taken with no participatory processes and including no industrial policy, Just Transition, financial strategy or climate legislation - will lead to a slowdown in the decarbonisation process. For example, the policy to phase out coal by 2025 is being called into question; the 2030 emissions targets are being lowered to 40 per cent rather than the 55 per cent EU target; there are new domestic extraction plans, together with a strengthening of the country's gas import infrastructure to make Italy a European gas hub; exemptions are planned on emission limits for coal power stations, and there are also plans to experiment with CCS, a technology which is anything but economical, whose safety and effectiveness are controversial and in which public resources should not be invested. Furthermore, despite two referendums with clearcut outcomes, the government intends to relaunch nuclear energy, aiming at the long-awaited nuclear fusion and small-scale, modular reactors, despite significant, as yet unresolved safety problems, such as finding a national radioactive waste site, excessive costs and an implementation timeframe entirely incompatible with emission reduction deadlines and targets.

The Mattei Plan, on the other hand, is designed to criminalise immigration and reduce the African continent's freedom of movement. In economic terms, it envisages a kind of neocolonial exploitation of the energy and natural resources to be found in a number of African countries.

As regards the Integrated Energy and Climate Plan (PNIEC), on the other hand, some of the issues noted above have also been raised by the European Commission in points that

the Italian government will have to take on board in an amendment before its definitive form is presented to the Commission by the end of June 2024. This is an opportunity to modify it significantly, invoking the right to participation and bargaining, which to date have been denied.

Essentially, the decisions taken fail to plan for the public investment needed for the energy transition and the Just Transition for workers. Furthermore, its renewable energy development targets are modest. It is a misguided strategy which will move Italy away from neither fossil fuels nor energy dependence, including in areas of geopolitical instability.

## THE DIGITALISATION CHALLENGE

The digital transition is the other great cornerstone of Italy's future and its global geopolitical role in particular. There is nothing random about the fact that 27 per cent of the funds originally set aside in the National Recovery and Resilience Plan (PNRR) were to be invested in an across-the-board digital transition whose goal was to take Italy to the forefront of Europe by 2026.

The digitalisation challenge is a strategic one in industrial policy and employment terms, but it is also bound up with the right of all citizens to secure, stable and accessible internet. In this scenario, the development of high-speed networks (fibre and 5G) is a pre-condition for the achievement of targets capable of ensuring the country's economic and social development.

Furthermore, as all innovation processes – and digital technologies in particular – have a powerful impact on consolidated social and production models, employment should play a central role in this to avert the risk of competitiveness based entirely on market laws that, in the absence of suitable systemic policies, risk constituting a step backwards in terms of employment, income maintenance and safeguarding.

Firms have been using technology for cost-saving purposes and to maximise profits for some time now, leading to job losses and wage contraction. This process is already under way in sectors such as call centres, for example, in which automation is ushering in job losses.

Foundational in these significant developments are the changes wrought by so-called 'AI', cloud computing, cybersecurity and analytics, innovations whose impact is not limited to IT and telecommunications. AI has already affected on sectors such as health care, education, marketing, publishing, law and finance. This makes it essential that we seek to have our say in the decisions currently being made (such as the AI Act), to ensure that issues such as employment and the protection of individual and collective workers' rights play a central role.

Taking up the gauntlet of the current challenges of the digital revolution and orienting them requires new collective

bargaining capabilities, among other things. Trends such as these and their consequences for people's jobs and lives will depend on how they are used and the goals we set, and on how their functioning is controlled. There is not only a need for the right to prior information on how firms are changing, but also an opportunity to take part in current decision-making and the strategies being adopted.

In a world in which learning is increasingly vital to our ability to tackle the challenges posed by change, education, training and professional retraining are now more indispensable than ever, if we are to (re)build professions and professionalisms and avert the negative effects of this now irreversible process.

Bridging Italy's existing digital skills gap is a priority goal if we are to be able to use these technologies' potential to the full in accordance with clear social guidelines: sustainable transport and mobility, infrastructure and urban regeneration, local government services, social and health services, waste cycle management, and water and electricity distribution.

For all these reasons and precisely because their impact is not limited to employment and consumption, but also extends to important sectors of civil life, high speed networks and digitalisation processes must be treated as common goods and public spaces, and the data which constitutes these technologies' primary resources must be considered community resources. There is thus an increasingly urgent need for public action and high-level strategies. This is the exact opposite of what has been done in the past and what the current government is doing.

## WHAT ARE INDUSTRIAL POLICIES AND WHAT ARE THEY FOR?

Industrial policies are a whole series of strategies, public policies and government actions designed to impact the development, competitiveness and sustainability of the country's production system. This also encompasses so-called sustainable finance, which involves selecting investments on the basis of environmental, social and governance factors (ESG). Industrial policies are fundamental to growth, quality job creation and the ability to compete on global markets.

## INDUSTRIAL POLICIES IN ITALY

This country has a long tradition of industrial policies. These have been implemented primarily by the large firms historically considered state-owned enterprises. Firms such as Enel, Eni, Telecom Italia, Autostrade, Alitalia, Fincantieri, EniChem, Poste, Ferrovie dello Stato and ANAS have managed to implement industrial policies in their sectors, making Italy a world leader in a range of sectors on the strength of innovation and research investments and great managerial capabilities. New systems have been invented and produced that innovated in a range of spheres, such as mobility (Tele-

pass), telecommunications (top-up phones), chemistry and construction, taking these firms to the apex of global rankings. When Italy achieved fourth largest economy in the world status, overtaking the United Kingdom in terms of per capita GDP, a grand total of 13 of the country's top 20 industrial groups were publicly controlled. IRI and ENI ranked respectively the eleventh and eighteenth largest corporations in the world. Their joint workforces amounted to nearly half a million, with EFIM employing a further 35,000 and Enel and Ferrovie an additional 110,000 and 170,000. Le Poste, for example, had a staff of around 240,000. In the late 1980s state-owned firms accounted for 6 per cent of GDP and 12 per cent of national investments. This system began to be dismantled with Decree 333 of 1992 and a period of privatisation was set in motion which made Italy a world privatisation champion in the 1990s.

From 1992 to 2007 Italy privatised approximately 160 billion dollars' worth of industrial assets. It was not solely a matter of making money and reducing the public debt but also intrinsic to the industrial policy of the period. It was argued that selling these institutions into private hands would make them 'more efficient' and reinforce the country's productive fabric. At the same time some of the great public companies disappeared or downsized drastically: Fiat, Olivetti, Montedison, Pirelli and Falk, Condotte, Astaldi. The privatised companies most vulnerable to competition – including Ilva, Italtel and later Alitalia – fell victim to appalling betrayal in pursuit of competition. The profits of monopolies such as Telecom Italia and Autostrade went from being an internal source of public funding to earnings for the few. The government is now considering selling off further shares in state-owned FS, Poste and Anas, which might prompt us to comment 'to err is human but to persevere in error is diabolical'.

## INDUSTRIAL POLICIES AFTER PRIVATISATION

Drastically downsized, decoupled from investment, research and innovation, industrial policies were reduced to handing out incentives to the various sectors with neither strategy nor vision. In this way the significant public spending involved did not help to make Italian industry competitive or generate quality employment and, above all, it led to a slow decline in the country's industrial assets, which were no longer capable of competing with those of other highly industrialised nations.

## WHAT NOT HAVING INDUSTRIAL POLICIES MEANS

One of the many negative examples of the absence of industrial policies and the harm it does to a country's development is the energy transition to renewables. In 2010 the Italian government decided to invest massively in photovoltaic panel installation by means of a system of substantial payouts for the energy produced. We are still paying for these incentives in our current electricity bills. There is no doubt that the decision was far-sighted, because it foresaw

the need to reduce the fossil fuel consumption driving climate change, but the incentives encouraging firms towards photovoltaic panel production lacked industrial policies. This meant that the bulk of the wealth generated by this decision ended up in the hands of countries such as Germany and China, which had taken steps to ensure the development of such policies. A to some extent similar mistake was made years later with policies designed to regenerate and improve the energy efficiency of existing real estate, including what are now known as superbonuses. It was an error not solely in relation to certain technologies (especially solar) but also specific strategic supplies (including steel, metal alloys and chemicals).

## THE CURRENT CONTEXT

As we have seen, we are now witnessing two epoch-making transformations which are moving at alarming speed: the energy and the digital transitions. Getting industrial policies wrong in this context risks making much of the Italian industrial fabric uncompetitive. Purely for the sake of illustration, take the car sector. The manufacture of internal combustion engines in which Italy is a world leader will shortly be overtaken by electric cars. Another example is the constraint imposed on public and private real estate by the energy neutrality target to be achieved by 2050 with regard to which Italy is well behind in terms of upgrading construction, building and materials chains (with intermediate stages as early as 2035). We must remember that 36 per cent of all CO<sub>2</sub> and 40 per cent of energy waste are bound up with our antiquated infrastructure and real estate, which are the primary producers of climate-changing gases. Over the next few years, then, we will need to reposition the whole Italian industrial apparatus, and industrial policies – together with suitable Just Transition policies – will be fundamentally important to the country's continuing competitiveness. Furthermore, creating good, stable, quality and decently paid jobs is also dependent on the manufacturing sector, one of the least vulnerable to seasonal factors and fragmentation of production processes. The tools used in recent years have exhibited huge limitations. On one hand, among the tools used for economic intervention, the development bank CDP is supposed to secure certain short-term returns on investments, while Invitalia has limited financial resources; on the other hand, programme and development agreements for both complex and less complex areas have not led to real industrial revitalisation, resources being squandered on actions of limited effectiveness or insufficiently selective. The many crises presented to the Ministry of Enterprises and Made in Italy (MIMIT, previously Mise) provide clear evidence of this. It has been difficult to find solutions; crises frequently remain bogged down and are 'resolved' only by termination. It should be added that breaking up the great state-owned companies and labour laws and the general decision to compete exclusively on labour costs have all led to an increasing fragmentation of firms, leaving them without the critical and financial mass needed to sustain the investments needed for renewed competitiveness.



As far as the environmental transition is concerned, a strategic framework of reference is lacking defining the direction to take and the goals and targets to pursue, as are coherent fiscal, research and development policies and support for strategic supply chains for decarbonisation. This is particularly true of a climate law that sets timeframes and targets, which plans to reduce emissions by at least 55 per cent by 2030 compared with 1990, and then to achieve climate neutrality by 2050, orienting public and private investments and companies' strategic decision-making towards this.

## THE ACTION NEEDED FOR DIGITAL TRANSITION

In the first place, it is important not to make the same mistakes as in the past when strategic assets such as telecommunications were privatised. The dreadful decision to privatise Telecom Italia in the 1990s in a manner that left the firm with significant debts was followed by a period in which redundancies and sales were the only response envisaged to reduce debt. This is still under way. In recent months, the current government approved the breakup of the incumbent firm, with its network set to be transferred to a new industrial entity led by an American hedge fund (KKR).

This is unique within Europe. Indeed, there are no other significant examples of this anywhere in the world. Separating the intelligence and the technology of the network will impoverish it in terms of innovation, research and development terms and consign Italy to the sidelines in relation to its great European and non-European competitors.

This is why we are continuing to argue that the role of Telecom (the former national incumbent firm) should have been strengthened, with significant public participation. What we need is not a firm that simply sells internet connectivity but a major player capable of steering the country's digitalisation policies, thus generating a new and diverse policy that also benefits private investment.

This is because what we need is a single network that performs uniformly, guaranteeing homogeneous and ongoing investment across the country. What the government has decided to do, by contrast, is simply to retain an option on 20 per cent of the shares of the sole network firm, guaranteeing it no steering or control.

Reconciling consumer interests with those of investment firms – the digital sector needs huge ongoing investments to keep up with rapid changes – would also necessitate reducing the number of operators (both virtual and real) to avoid price competition, which would nullify the investment margins firms of this sort seek to generate. Failure to proceed in this direction has led precisely to the slowdown in investment we have been witnessing for several years now, which has seriously delayed technological innovation (in its last annual report Agcom spoke of a loss of market value in telecommunications of 13.7 per cent over five years, despite the explosion in subscriptions and data transmission).

Simultaneously with digital network development, action is needed to connect up schools, health care infrastructure, local bodies and public entities if digitalisation is to reach its full potential. The approach the public administration has taken to date will also need to be reviewed and its processes re-engineered to implement a full-blown revolution in relations with the administration in terms of efficiency, effectiveness and transparency, promoting a real alternative to corruption. The fulfilment of this goal requires large-scale civil service recruitment if the skills needed for digitalisation are to be ensured.

Key to achieving the established goals will be support for the migration of public administration data to the so-called National Strategic Pole, sharing needs and processes with those involved. This means that suitable training will be required to ensure coherent and constant implementation of workers' digital capabilities (Desi data put Italy at the bottom of the European rankings with regard to digital skills).

While it is true that the most urgent task is to protect critical and strategic civil service data, thereby guaranteeing privacy and protection from IT threats, it is also important to work towards unambiguous national applications capable of collecting and managing citizens' and firms' data in a homogeneous and secure way. Only thus will we be able to reach our 'once only' objectives and make bureaucratic simplification more practicable.

Finally, we believe that achieving the operation's strategic aims entails the elimination of all data centres that are still unable to meet minimum system and/or security requirements and instead migrating all data to the National Strategic Pole's four data centres. This would lead to significant cost savings to the state and, overall, an increase in energy saving.

Digital technologies are key to the environmental transition and compliance with the goals of the European Climate Act. For example, they can make an extraordinary contribution to monitoring to foster the circular economy. Simulations and forecasts of a product's whole life cycle can improve production efficiency, the virtualisation of production and consumption, and the reduction of environmental impacts; and the use of technologies to manage systems can optimise operations and service management, as in smart cities in which digitalisation of networks is indispensable to the electrification of consumption and so on. At the same time, we must not allow digital technologies to become even more of a burden on the environment and the climate.

Regarding the huge resources made available by the National Recovery and Resilience Plan (PNRR) for the creation of a network infrastructure (fibre and 5G) guaranteeing connectivity all over the country, the decisions taken so far are jeopardising the achievement of its goals. The over four billion euros set aside to level up the large parts of the country still mired in unsustainable technological backwardness has been allocated by public tender, with public contributions covering 70–90 per cent of the costs going to the successful applicants. Once again, a decision was taken to entrust a strategic asset to the market. But 10, 20 or 30 small net-



works do not make a single network. It is simply unacceptable that such a decision has been made in the wake of the pandemic, during which people's level of connectivity determined who would be able to study and work and who would not, further exacerbating intolerable inequalities.

The great delays in expanding internet coverage to date confirm this and Italy risks losing the billions earmarked for the construction of an extensive and efficient national high-speed broadband network. But digital infrastructure is the highway along which technological innovations can and must travel: from education to health care by way of industrial districts and government offices, failing to meet this challenge is simply out of the question.

As far as the use of new technologies, and AI in particular, are concerned what emerges is the need to maintain a balance between European innovation overall and the need to guarantee fundamental personal and collective rights.

All forms of discrimination and the concentration of power in the hands of a few must be avoided. What is needed are policies that maintain universal protection principles and allow for the rapid upgrading of legislation to keep up with the evolution and impact of artificial intelligence across sectors.

The bottom line is that there can be no compromise on people's rights. To that end it is imperative that we keep up with the ongoing changes and update the rules accordingly.

Based on these principles, it is also important to stress the potential benefits that proper use of AI may bring, in industry as well as in other sectors, where countless applications can speed up calculation processes and reduce processing times.

At the same time, there are a great many risks bound up with an indiscriminate and unregulated use of this technology, especially in the light of the incredible speed with which so-called 'generative AI' has spread.

Politically, we must therefore aim to build up common European sovereignty also in the digital sphere, with more sharing of technological capabilities and proper coordination on research and development.

## **ACTION REQUIRED IN RESPONSE TO THE ENVIRONMENTAL TRANSITION**

### **ENERGY PRODUCTION AND INCREASING THE PROPORTION OF RENEWABLES**

The climate and energy crises are two sides of the same coin.

Neither may take precedence in dealing with these complex issues, and decarbonisation must be accelerated in order to combat the climate crisis responsibly, but also to take advantage of the positive aspects of all this: energy autonomy, cost reductions, development of new strategic production chains, creation of decent jobs, and tackling energy poverty.

Italy remains Europe's second-largest manufacturer and is at the forefront of the advanced economies. The challenge is to maintain this position by combining sustainable development with the creation and protection of quality jobs. To achieve this, regulation of the environmental transition must involve the combination of industrial and development policy instruments with just transition policies. Remaining tethered to a fossil fuel-based production model, as the government is doing, would rapidly condemn Italy not only to energy dependence, but also to technological dependence, with losses of production and employment, price increases, industrial desertification, and increased inequality.

To prevent this Italy must do the following:

- 1) Harness all new investments to develop energy saving and energy efficiency, energy production from renewable sources, storage systems, production and strategic supply chains for decarbonisation, fostering all related public and private investments. Traditional renewable sources can contribute to this, too, for example, hydroelectricity (also useful for accumulation systems), as well as low-enthalpy geothermal energy. To make this happen procedures need to be simplified – including, if necessary, by reintroducing state ownership – as do the relevant permits, including those for off-shore wind farms. Any streamlining of permits must, of course, also safeguard the environment, biodiversity and ecosystems, as set out in Article 9 of the Constitution.

New 60 GW renewable sources could be authorised right away (as *Elettricità Futura* has proposed) and could be built over a three-year period. *Elettricità Futura* also expects to be able to install 131 GW renewable plants (80 GW photovoltaic and around 28 GW wind farms) by 2030, an increase of around 74 GW over 2021. It is therefore important to clarify current overall gas needs and plan a progressive, but rapid reduction curve in accordance with the commitment to reduce emissions by 55 per cent by 2030 and achieve climate neutrality by 2050.

- 2) Launch an urgent debate between government and social stakeholders, taking as point of departure the commitments made in the Resolution concerning a Just Transition towards Environmentally Sustainable Economies and Societies for All adopted at the 111th International Labour Conference, and identifying participatory governance methods, plans, measures and resources leading to a Just Environmental Transition. In particular, planning for the environmental transition of production, adopting measures to avoid negative social and employment impacts, drawing up environmentally friendly fiscal reforms, identifying European and Italian resources to supplement the Just Transition Fund, widening its use to all sectors affected by conversion and throughout the country, supplementing the Social Climate Fund and promoting the use of the European Social Fund to train or retrain workers in new skills.

- 3) Install solar panels on roofs and other available surfaces without increasing land occupation. The 2023 ISPRA report on land use notes that estimates of the surface area potentially available for photovoltaic panel installation on roofs is 757 to 989 km<sup>2</sup>, with a building installation potential of 73 to 96 GW.
- 4) Draw up a multi-year energy saving and home electrification plan, starting with the more run-down or outlying urban areas. Regarding energy saving and efficiency (reducing energy waste to a minimum) this is as important as increasing energy production from renewable sources for the purpose of achieving the UN and EU environmental sustainability targets. This applies to energy consumption for the production of goods and services, but even more so to the great variety of public and private real estate (offices, schools, hospitals, homes and so on). In fact, recent research (Savanta and 89up, October 2023) shows that if we were to take action on the most energy consumptive public and privately owned buildings (class G, 27 per cent of the total) at a total cost of around 50 billion euros (5 billion per year for 10 years) the energy savings (estimated for the next 20 years) would be almost double this figure (94 billion euros), reducing the nation's energy needs by approximately 9.7 per cent. In this regard, we refer to the proposal presented in cooperation with the NENS study centre for a more selective and organic reform of the various incentives and instruments dedicated to the redevelopment of existing real estate.
- 5) Promote sustainable, integrated and intermodal mobility, prioritising collective public transport, electrification, a shift 'from tyres to rails' and maritime for long distance transport, vehicle sharing and soft mobility.
- 6) Support and extend energy communities to ensure that local governments, schools, hospitals, shopping malls, associations, citizens and small and medium sized businesses can join forces to set up plants for producing and sharing energy from renewable sources;
- 7) Develop storage systems to cope with the unpredictability of wind energy and photovoltaic in particular. A great many such systems already exist, some of which have already been widely tried and tested, while others are currently being tested, including hydroelectric pumping systems and electric vehicle batteries connected to the grid via charging stations.
- 8) Upgrade the electricity grid to cope with exponential increases in renewable energy, strengthening, extending and interconnecting it with the storage system.
- 9) Eliminate EHS (environmentally harmful subsidies).

## THE INDUSTRIAL SECTOR

The goal of reducing emissions by 62 per cent by 2030 compared with 2005 and of achieving neutrality by 2050

represents a significant challenge for Italian industry. The industrial sector today produces 40 per cent of total EU greenhouse gas emissions. Add to this the recent changes that will keep the purchase values of permits for the emission of individual tonnes of CO<sub>2</sub> high. This mechanism requires significant investment that cannot be postponed if emissions are to be reduced. Otherwise the outcome will be progressively lower European competitiveness as a result of increasing costs. In this sphere, special attention must be paid to 'hard to abate' sectors – research is needed into the new technologies required to bring down emissions. So-called green hydrogen is a particularly promising resource in the drive to reduce emissions drastically. For these reasons, it is imperative to take action on the production chain to support the development of green hydrogen, produced with electrolyzers, in the immediate vicinity of the plants to be decarbonised. With regard to the construction of electrolyzers and their requisite components it is important to bear in mind that the production of renewable energy, needed to power the electrolyzers, is concentrated in the south of the country, which is water scarce. The production of green hydrogen requires significant water resources at a ratio of 9 litres of water to produce 1 kg of hydrogen. This means that water efficiency is vital, including through the reuse of water. Making the aqueduct network efficient and constructing reservoirs (which would also perform the functions of containing excessive rainfall caused by climate change and conserving water) therefore become strategic for the development of the supply chain.

## TRANSPORT

The transport sector is responsible for around a quarter of greenhouse gas emissions and 30.7 per cent of CO<sub>2</sub> emissions, 71.7 per cent of which is generated by road transport, in addition to aviation and maritime sector emissions. In the aviation sector, the European Commission is focusing on the use of biofuel, pending the development of hydrogen, and with experiments with electric engines and studies into possible uses of liquid ammonia. In this changing context, research and development are essential with regard to the most advanced and sustainable technologies with a lower environmental and climate impact. Biofuels are not the best solution from any standpoint. The decision to phase out the endothermic engine by 2035 is irrevocable, but even so biofuels are likely to enjoy only a transitional period of utility fuelling the old cars that will remain in use in 2035 (calculating optimistically that, out of a vehicle fleet of 36 million, if 2 million per year are replaced by electric cars, there will still be more than 10 million endothermic-engined cars after 2035). The Emissions Trading System (ETS) has been extended to the maritime sector. The system will apply to ships over 5000 tonnes, which are responsible for 90 per cent of CO<sub>2</sub> emissions in this sector. It is therefore necessary to speed up a just transition also in the maritime sector, in order to guarantee job protection and reconversion, focusing on fleet modernisation, sustainable shipbuilding, port electrification, energy production from renewable sources, use of hinterland for recon-

version of industrial activities and promoting inter-mobility. Finally, the electrification of docks is necessary. Cars and vans account for 15 per cent of total CO<sub>2</sub> emissions and this is the sector in which the most drastic action is planned, with a 55 per cent reduction by 2035 and neutrality by 2050. Italy is a long way behind in this sector, however, and the consequences will, in all likelihood, be the most serious, as an important segment of Italian industry risks being excluded from the market. While new electric cars account for over 10 per cent of new European sales, Italy is lagging behind on lower than 4 per cent. This has been exacerbated by a significant delay in the development of recharging infrastructure, above all fast charging stations functioning at 350 to 740 KW.

In June 2023 there were 45,000 public-access recharging stations in Italy. One-fifth of these are not usable because they have not been linked up to the grid or there are other authorisation issues. The scenario presented by the 2022 Smart Mobility Report drawn up by the Polytechnic University of Milan forecasts 55,000 public-access recharging stations in Italy in 2025 and 95,000 by 2030. Recharging stations along the motorways are indispensable for travel between cities and fostering the electrification of company car fleets. At the moment there are 657 public-use recharging stations on Italian highways, 77 per cent of which are over 43 kW. Italy has 7,318 km of motorway, which makes 8.9 recharging stations for every 100 km, 6.8 of them fast or ultra-fast. Expanding e-transport will require significant infrastructure to support recharging station installation in urban and ex-urban contexts (urban layout exacerbating the complexities) and acceleration of the installation of renewable energy plants to make this mobility truly 'green'.

In this context industrial policies are indispensable on a range of planes: on one hand reducing private traffic (the PNIEC's target for private traffic reduction is 10% by 2035), on the other an e-car production chain needs to be constructed and a recharging network making the use of e-cars attractive must be developed. The Italian government's request to extend the deadlines on the basis of similar changes of strategy elsewhere in Europe is thus mistaken: the main car firms have taken decisive action on this front with the support of their respective countries and this now seems irrevocable. Local e-transport (trams, trolley buses, e-buses), transport sharing, soft mobility and smart working are the main private traffic-reduction drivers. Production chains for public transport electrification must thus be developed. The national roadmap to 2030 targets and net zero CO<sub>2</sub> emissions by 2050 targets accord public transport a determinant role in both propulsive technology innovation terms and in terms of the larger share which modal transport must achieve. These are ambitious but not unrealistic targets, if sufficient resources are invested in local public transport.

Local and regional public transport is indispensable to achieving truly sustainable mobility, also from a social point of view. It guarantees mobility access for all, even in the

suburbs and exurbs and for the poorest segments of the population. Local public transport is fundamental to Italy's economic recovery and development and crucial for reducing the emissions burden. The rolling stock has to be renewed or modernised. It comprises 42,894 vehicles, 87 per cent of which (37,343) are diesel, 9 per cent Euro 2, 25 per cent Euro 3, 9 per cent (3,880) methane, LPG or LNG, 2 per cent (659) hybrid, and 1 per cent (621) zero emission, while 391 vehicles run on other fuels (source: MIT).

The average age of the vehicles in circulation is still higher than in other industrialised countries. The government's extension on Euro 2 and Euro 3 vehicles is a further brake on the environmental transition. Italy needs a 10-year plan providing for the introduction of about 4,000 buses/year to bring the average age of the fleet down to seven years and thus bring the country into line with its main European partners.

Although the ANFIA data are positive (5,119 buses were registered in 2023, up 56.2 per cent on the previous year), decarbonisation of the sector is still a long way away. Diesel engines are still by far the most prevalent, up 61.4 per cent (1,967 compared with 1,219 in 2022), while electric vehicles were up from 85 in 2022 to 219 (+157.6 per cent).

In larger cities, the local public transport alternative is becoming a priority that can no longer be postponed.

With the spread of electric vehicles, it will be essential to develop a service network (repair shops), that is more local and replace, in line with the increased presence of electric cars on the road, the network of workshops currently working on internal combustion engines. Clearly, training and financial support are indispensable to prevent the current network from being put out of business, with dramatic social consequences.

The freight transport sector is also in a particularly complex situation. Here, vans, used in distribution over the so-called 'last mile', will be subject to the same imperatives as the car sector, as mobility undergoes electrification. Long-distance mobility is a different matter, especially along the main arteries, and will have shifted to rail and sea, gradually reducing road transport. Green hydrogen, with electrolyzers in refuelling stations and ports, can be tried in the maritime sector, on railway lines that are difficult to electrify and only marginally in long-distance road transport. In order to meet the commitments of the European Green Deal and the Fit for 55% provisions, pending full development of the potential of hydrogen and other innovative technologies, less polluting transitional solutions can be used.

With reference to large-scale infrastructure, we reiterate the decision taken in 2016, with the Connecting Italy Multi-Year Plan, to prioritise the enhancement of passenger and goods transport by rail and water, instead of by road, combining the construction of new infrastructure (the 26 priority work areas, including rail, which are also included in the PNRR, to accelerate expenditure) with special plans for deep mainte-

nance of secondary sections. RFI (but also ANAS and ASPI) will in fact have to play an industrial promotion role in the heavy infrastructure sector. The planning capacity of the big public contracting authorities must be strengthened further, aimed at promoting and consolidating local activities around the big players in construction (We Build, but not only them), and completing, on schedule, projects in the rail freight corridors and the strengthening of the so-called Motorways of the Sea (short sea shipping), without dissipating resources and attention on other activities. In order to achieve all the European objectives, a reliable planning process must be ensured through the elaboration of a new 'general plan for transport and logistics'.

## ENERGY EFFICIENCY

Fuel combustion is responsible for more than three-quarters of the EU's greenhouse gas emissions. To curb energy consumption, Member States will have to collectively ensure a reduction in energy consumption of at least 11.7 per cent by 2030. Today, heating and cooling of buildings accounts for 40 per cent of all energy consumed in the EU. The European Parliament is working on energy performance standards for buildings, with the goal of achieving zero emissions by 2050. The standards will include renovation strategies, zero emissions for all new buildings by 2030 and solar panels in all new buildings. In this context, it is crucial that the industrial sector starts converting to heat pumps to reduce energy consumption.

## THE CIRCULAR ECONOMY AND WASTE MANAGEMENT

The circular economy is an economic and environmental approach that aims to minimise resource waste and environmental impact by redesigning production processes, recycling materials and extending the useful life of products. The circular economy must become a political priority in Italy, with the aim of reducing dependence on non-renewable resources and mitigating environmental impact.

Virtuous waste management must start with policies to reduce waste production and reuse. Recycling aims to reduce the amount of waste sent to landfill and to promote the reuse of materials (over 70 per cent of special waste is from construction). Several EU policies and directives promote the adoption of the circular economy and sustainable waste management, including:

- the Waste Directive (EC/2008/98), which established the legal framework for waste management in the EU and fostered prevention, recycling and reuse, as well as a reduction in landfill sites;
- the Packaging and Packaging Waste Directive (EC/94/62) designed to reduce the environmental impact of packaging by fostering recycling and reuse;
- the End-of-Life Vehicles Directive (2EC/000/53), which contains regulations on the reuse and recycling of obsolete vehicles in order to reduce the environmental impact of their scrapping;
- the Strategy for Plastics in the Circular Economy, developed by the EU to tackle the problem of single-use plastics, promote recycling and reduce its environmental impact;
- a draft regulation on packaging and packaging waste.

In 2015 the European Commission presented a circular economy package encompassing measures to improve recycling, waste prevention and product eco-design. The linear-to-circular economy transformation must invest in all production sectors. The circular economy begins with process and product innovation designed to reduce material and energy consumption. Waste management and the use of secondary materials are marginal to this process. Eco-design must foster the disassembly of products for partial reuse. Planned obsolescence must be combated and product durability promoted, favouring maintenance and repair to supersede our current culture of unrestrained consumerism in which things are just thrown away. Reuse must come before recycling.

Italy has achieved significant levels of selective waste collection, but there is a gap between the models adopted in central-northern Italy and in central-southern Italy. It is imperative that the model of public multi-utilities be developed both to enhance selective waste collection and to fully develop the circular economy model.

The three 'Rs' – reduce, reuse, recycle – that characterise European policymaking in this area must become a beacon for industrial policies. Only a financially robust public entity can create the conditions required for the best possible management of the waste cycle by minimising landfill. Efforts along these lines would contribute to the broader goal of reducing environmental impact and promoting a more sustainable economy in the form of a circular economy. In addition, waste can become valuable in itself, for example, through bio-fuels (composting), and be a real resource for industry in terms of raw materials for reuse, rejecting the notion that the planet's resources are infinite.

Multiutilities, moreover, have been at the forefront of investment in Italy, with a positive return in terms of added employment. Finally, this industrial policy model removes the waste cycle from the control of organised crime and may attract investment in industrial models based on recycled materials, an issue on which public opinion is increasingly sensitive.

## THE AGRO-FOOD CHAIN

Environmental transition and the agri-food supply chain are a highly relevant issue in Italy, as well as in many other parts of the world. This is a transition to a more sustainable

economy and lifestyle, with the aim of preserving the environment and combating climate change. The agri-food chain – involving the production, processing, distribution and sale of food products – is a key economic sector in Italy. The agri-food system, through implementation of the ‘from farm to fork’ strategy, is also called upon to contribute to the European Green Deal. This strategy aims to promote the transition of EU agriculture towards more sustainable practices and methods.

**Sustainable agriculture:** In Italy, sustainable agriculture has become a priority in order to reduce the environmental impact of agricultural production. This includes the responsible use of water resources, reducing the use of pesticides and fertilisers, and promoting farming practices that preserve biodiversity.

**Organic products:** The organic produce sector is growing in Italy. More and more farmers are adopting organic practices to meet the increasing demand for such food products from ecologically aware consumers.

**Short supply chain:** In Italy, there is growing interest in short supply chains, which directly link producers to consumers, reducing transport and contributing to greater environmental sustainability. Farmers’ markets and agricultural cooperatives are examples of initiatives that promote short supply chains.

**Environmental labelling:** European and Italian regulations promote the environmental labelling of food products, enabling consumers to make more informed choices based on the environmental impact of products.

EU objectives with the ‘From Farm to Fork’ strategy:

- A significant reduction in the use of pesticides. The strategy aims to ‘reduce the use and overall complexity of chemical pesticides by 50 per cent by 2030’. This can also be achieved by supporting farms in the use of integrated pest management techniques.
- Help with reducing nutrient loss by at least 50 per cent and also ensuring that soil fertility does not deteriorate further. The strategy’s objective is thus to reduce the use of fertilisers by at least 20 per cent by 2030.
- Combating the excessive and inappropriate use of antimicrobials in human and animal health care. In this respect the Commission will endeavour to reduce overall sales of antimicrobials for livestock and aquaculture in the EU by 50 per cent by 2030.
- Strengthen consumer confidence in organic products and shore up supply and demand with awareness-raising campaigns and by promoting green public procurement. This initiative is aimed at bringing it about that at least 25 per cent of the EU’s agricultural area should be devoted to organic farming by 2030. Here again, only targeted public policies can achieve these objectives.

Incentives aimed solely at supporting change and support for short supply chains and organic farming can help to reduce the production cost gap which, in a challenging economic context, can be the real brake on the sector’s transformation towards greater environmental sustainability.

## INFRASTRUCTURE IN SOUTHERN ITALY

A new policy direction is needed for southern Italy. The free-market model, which was seen as the solution to all ills, has failed, demonstrating its inability to cope with the significant problems generated by economic and social imbalances.

New evidence is provided daily of the disastrous effects of a regressive political culture that delegated the Italian integration process in the European and global context to the economically stronger part of the country. While on paper the tools available to the Mezzogiorno were enriched, on paper, with the imposition of certain obligations with regard to investments, employment incentives and measures to promote generational and gender equality, as well as the labour market inclusion of persons with disabilities. In practice, unfortunately, these commitments have not been realised.

The transformation of the energy system in the direction of renewables may potentially lead to southern Italy taking the lead in energy production. The need for a new conception of public intervention may trigger a new conception of intervention in southern Italy as well.

In these circumstances, a new strategy for the infrastructure network becomes crucial. In order to qualify for a new round of investment, there must be an adequate response to the major issues of mobility and communication, both in Southern Italy and in connection with the major crossings within the EU. Only in this way can Southern Italy meet global demand in relation to the major global logistics networks.

It is a serious mistake, therefore, to consider the construction of a bridge over the Strait of Messina as the main strategic element of Southern Italy’s infrastructural modernisation. The Mezzogiorno requires large-scale freight and passenger networks; transversal east–west connections capable of ending the physical isolation of a significant part of the southern population, which lives and works in inland areas; and true specialisation of the port system, together with proper utilisation of port hinterlands in order to expand logistics and industrial activities.

These policies must be developed on the basis of close links with the relevant territorial areas in order to develop systemic competition. This outline provides, point by point, a number of elements – including categories and territories – with which to launch a discussion on developing a joint proposal on infrastructure and Southern Italy:

Establish an overall framework for the general revitalisation of Southern Italy's multiple assets, including logistics and transport, urban and environmental regeneration, industrial policies, the agro-food and agro-industry sectors, renewable energies, research and innovation, and local public services.

- To kickstart a debate, pursue a strategy to reinforce and complete the region's infrastructure, port, logistics and energy networks as indispensable to the revitalisation of the South's production system.
  - Southern Italy's port network must be the foundation stone of a project to promote Italy as a platform in the Mediterranean capable of connecting European, Asian and North African maritime traffic. It is crucial to activate Special Economic Zones (SEZ) for the purpose of a clear industrial and development policy, despite the significant downgrading set out in Decree Law 124/2023, which, in addition to instigating strong centralisation at the expense of the local dimension, risks hindering its proper functioning and efficacy. Important plans to build five integrated logistics areas, on the other hand, should be implemented: Campania, the Puglia-Lucano system, the Gioia Tauro logistics hub, the Western Sicily sector and the South-eastern sector of Sicily. This requires, for the first three areas (with reference to four port systems, Naples, Bari, Taranto and Gioia Tauro) to carry out the first successful interlinking of Southern mainland ports.
  - The creation of an AVR Naples-Bari rail corridor should be fast-tracked as indispensable to the generation of a real competitive advantage arising from connecting the Tyrrhenian and the Adriatic seas and the development of intermodality in the retroport areas. Twelve stations are planned between Irpinia, Sannio and le Murge on this rail corridor to revitalise these internal areas, connecting them up and making them functional to an overall revitalisation plan;
  - Within the framework of implementing the four TEN T railway corridors, it is crucial that the railway system overcome the bottlenecks along the Adriatic backbone – case in point, the Termoli-Lesina line – giving impetus to the construction phase of the Adriatic HS/HC railway line, bringing forward the realisation of the Salerno-Reggio Calabria HS with the connection of Gioia Tauro port to the Taranto-Bari railway system. The Tyrrhenian coastline must then be connected to the median Adriatic coastline through the high-speed AVR connection between Salerno, Basilicata and Calabria with the Apulian railway system, providing a definitive solution to the connection of the ports and hinterlands of southern Italy. In addition, the Messina-Catania-Palermo line and the doubling of the track on the Messina-Catania-Siracusa line must be completed. Not only must an integrated Ten-T network system be created, but the technical difficulties have to be overcome that to date have resulted in fragmentation of the railway system in the South.
  - The state's planning capabilities will be crucial in bringing about this systemic investment in southern Italy's infrastructure networks and logistics, co-ordinating the activities of regional and local institutions with the main players (the RFI group, ANAS and the port authorities) in order to ensure the effective use of the financial resources allocated in the relevant contracts, in the Development and Cohesion Fund (FSC) and in the PNRR.
  - The Southern Italian ports – Palermo-Augusta, Messina, Gioia Tauro, Taranto, Bari, Naples – that have been identified as the seat of the Authority, are part of the Trans-European Transport Network and are considered strategic for the purposes of European transport network objectives.
- It is crucial in this context to connect its ports with its railways and motorways, through last-mile and penultimate-mile road and rail works. The port system must also be provided with more effective digitalisation and ICT, accompanied by environmental safeguards tackling various sources of pollution.
- Five integrated logistic areas are taking shape, aimed at systemising the southern Italian ports, outlining the logistic and productive vocation of the territories involved. In this context, the attraction of industrial activities to the region could be boosted through judicious use of Special Economic Zones in the port areas. Sadly, none of this is present in the government's so-called 'Decreto Mezzogiorno'.
- Naples is an established tourist destination, but Sicily's and Puglia's ports could also improve their attractiveness to tourists in relation to cruises. Salerno is one of Europe's most efficient and dynamic ports but the construction of road and rail links needs to be fast tracked.
- The whole port system of western Sicily – with Palermo, Termini Imerese, Porto Empedocle and Trapani – specialises in cruises and Ro Ro, with the specification of the Termini Imerese port hinterland and its industrial zone (an area of complex crises). The ports of eastern Sicily, with Catania and Augusta, are linked to the large refining plants there and the Ro Ro trade with the rest of Italy and, to a lesser extent, with other Mediterranean countries. The ports of Messina, Villa San Giovanni, Milazzo, Tremestieri and Reggio Calabria have yet to specialise in any particular economic area.
- The primary focus of Gioia Tauro port is container transshipment, while the ports of Calabro, Taureana di Palmi and Vibo Valentia are regional hubs. Gioia Tauro's development depends on the construction of a cross-country rail line between the Tyrrhenian and Adriatic corridors of the Gioia Tauro-Taranto-Brindisi line.
- The Apulian ports – Bari, Brindisi, Manfredonia, Barletta and Monopoli – are geared towards RoRo traffic, while, for example, Brindisi depends on industrial operations and industrial and investment policy choices. Particularly important in this respect is the memorandum of understanding

with the Port Authority of the Central Tyrrhenian Sea aimed at connecting economic activities in the Campania and Apulia regions. The idea is to create an integrated logistics area, which will be further strengthened with the construction of the new Naples-Bari AV/AC line. Construction of the Termoli-Lesina is of the utmost importance for connecting the Apulian ports to the Adriatic corridor in order to overcome the current single-track bottleneck. The port of Taranto is a case in its own right. For years it was Italy's leading port in terms of volume, but today it is sharply declining due to the crisis in the steel industry. Regarding the situation overall, it is vital to re-establish an economic-social partnership, which is indispensable for monitoring investments.

## LAND CLEAN-UP AND COMPLEX CRISIS AREAS

There are 16,264 contaminated sites in Italy, with ongoing remediation procedures under regional jurisdiction and 42 sites of national interest (SINs). Such areas include landfills, chemical and steel plants, asbestos, power plants, port areas, petrochemical plants and refineries.

They constitute a real environmental and health hazard for workers and communities, and are the cause of excess deaths, oncological pathologies, hospital admissions and, in some cases, even excess birth defects. The issue of land reclamation must be addressed in compliance with the targets and measures set by the European Biodiversity Strategy for 2030, taking a systemic approach that also takes into account the degradation of agricultural soil (especially for intensive farming and cultivation), the need to halt the proliferation of illegal landfills, soil sealing and urban sprawl, and to contribute to the restoration of degraded ecosystems, to fight pollution and create new jobs.

The fundamental principle here is the reconciliation of economic activities and respect for nature. The reclamation of all contaminated areas, starting with those that are also industrial crisis areas, is a priority, first and foremost to eliminate ecological and health risks. Having said that, investing in these areas is also a great opportunity to boost private investment and employment, halt land consumption and promote urban regeneration. Contaminated areas, if subjected to remediation and redevelopment, can represent an important national resource because they are generally already provided with infrastructure (ports, railways, energy, road networks, environmental services and so on), with an advantage in terms of infrastructure costs and as an opportunity for productive resettlement, to restore the potential of the economic and social fabric.

Reclaiming and making these sites available for new production settlements, particularly the areas of the large industrial clusters in southern Italy, at the heart of the Mediterranean, is an extraordinary development opportunity for the country. Investment programmes for industrial redevelopment, but also urban regeneration, often stall precisely because of delays in reclamation. Together with the acceleration of recla-

mation procedures, we need ecological reconversion and revitalisation of existing industrial activities, or investment in new sustainable production, to prevent the ongoing contamination of environmental matrices and to create the conditions for continuity and an increase in employment levels.

The issue of reclamation is closely connected to the objective of exercising multi-level governance and making negotiated planning proposals for a new industrial and sustainable development policy, also in relation to many industrial crisis areas. Numerous instruments and resources insist on these areas (CICs, SINs, ports, SEZs, metropolitan cities, inner areas and so on), which must be pooled and channelled into a single project, in which the participation of social partners and communities is fundamental.

## INDUSTRIAL POLICY TOOLS

The development of industrial policies in the midst of environmental and digital transition requires a complex and carefully weighed-up process with clear objectives and verifiable results.

## PUBLIC ROLE

Governing a process as profound as this, with all its repercussions for production and employment, cannot be left to the market. What is needed is a new state activism which requires tools with which to plan, target and co-ordinate the development and investment process. This is not solely a matter of protecting the country against the impacts of this process but also of building or converting new productive contexts and industrial chains of strategic importance for Italy and creating jobs (e-mobility, renewable sources, green transformation for the civil sector and local public transport, transport on rail rather than road for people and goods, robotics and innovative electronics). These two drivers – public resources and selected incentives – can be supported by finance. The credit system could abandon the pure logic of profit maximisation and rediscover its role as a 'service' to the real economy entrusted to it by the Constitution, if banks were to adhere to the strategy of multiplying investments in innovation and sustainability of the economic-productive fabric, also through the guidance of institutional players, starting with CDP, connecting public and private finance. This would be an entrepreneurial and innovative state, in other words. Our proposal for a National Agency for Sustainable Development is along these lines. This new role for the state must also involve financial policies based on 'patient capital' and savings. Such an agency would also act as a sovereign fund, capable of channelling pension funds and huge private savings to foster development, to acquire a significant share of the country's strategic assets, and to invest directly in strategic enterprises of major national interest. In this context, two extraordinary levers are available for instigating the change necessary to overcome the challenges we face. The first is the large-scale state expenditure on goods and services, which is equiva-



lent to a third of state expenditure, over 300 billion euros a year. The second is a selection of companies to be incentivised, replacing the scattershot allocation of incentives that merely snapshots the existing situation, without intervening at the different levels of inequality that the country has experienced in recent years. It is therefore a matter of instituting administrative innovations alongside the social partners, of using the same procurement methods, starting with all public bodies, to get the country to evolve and boost the size of companies – today Italian firms tend to be much smaller than in any other European country. Conditionalities must be introduced to support businesses – especially small and struggling ones – with energy efficiency measures, energy self-production from renewable sources, the circular economy, decarbonisation of hard-to-abate production, use of BAT, and energy purchase contracts from producers from renewable sources. These interventions will also have positive effects in terms of production costs and increased productivity. The misconception that productivity results from low wages and long hours – which instead lead to increased unemployment – is another negative feature of our market and must be overcome. Clearly, system productivity must be stimulated and promoted, but that can be achieved only through investment in research and innovation.

The state must also once again play a strong guiding role in the large publicly owned companies (such as ENEL and ENI) with a view to ensuring that these firms' industrial plans take centre-stage in the environmental transition, in line with the 2030 and 2050 emission-reduction targets, planning for a rapid reduction in fossil-fuel sources and promoting the development of renewables.

The public sphere must ensure that the required material and immaterial infrastructure is in place to ensure that access to the new technological opportunities, as well as reduced energy and logistics costs are equally available to all.

Just transition, digital innovation and industrial reconversion must all be accompanied by plans and instruments that ensure guarantee social safeguards, income support and worker training and retraining in the reconversion sector. All this will require a national fund to accompany and support transition and industrial reconversion. Such a fund will need to invest in income support, training and skill upgrading for workers to ensure that no one is left behind.

## EFFECTIVE REGULATION

Create industrial regulations that ensure a healthy environment for firms without jeopardising the environment or worker health and safety. The rules must be clear, transparent and applied equally.

## INNOVATION PROMOTION

Innovation is one of industry's key drivers. Supporting basic research and innovation via R&D investment, indus-

try-university partnerships and the promotion of cutting-edge technology is decisive. Inspired by Germany's Fraunhofer experience it might also be possible to build a network of centres capable of developing and integrating basic research and research applied to industrial innovation within the National Development Agency in line with the digital and green transition. Fraunhofer plays a key role in research development for small and medium-sized German firms, which would otherwise struggle to pursue technological development. This problem also holds Italy back.

## INTERNATIONALISATION

The international expansion of firms must be encouraged, facilitating access to global markets and promoting exports.

## MONITORING AND ASSESSMENT

A robust monitoring and assessment system must be implemented to measure progress and make whatever changes are necessary to achieve targets.

## MULTI-LEVEL INSTITUTIONAL COORDINATION

Coordination between the various institutions (state, regional and local bodies) to avoid conflicts and actions not in line with goals. Skill compartmentalisation has hindered the development of effective industrial policies.

Finally, it is essential in this context that the available tools be directed towards reducing Italy's inequalities, as the industrial sector is concentrated primarily in the north. To this end, industrial policies that facilitate reshoring and appropriate channelling of IPCEI funds represent a great opportunity to ameliorate the industrial inequalities that have worsened over the past two decades.

It is thus crucial to develop infrastructure as a tool with which to activate industrial settlements in line with objectives. The historical spending or watering-can principle has, at best, contributed in recent years merely to replicating and crystallising the existing system. In the worst case it has widened the development gap which splits the country in two.

## ABOUT THE AUTHOR

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# A NEW INDUSTRIAL POLICY

## Challenges for Italy



The lack of industrial policy in Italy in recent decades should be noted.



The great economic and ecological challenges of the present make new industrial policies essential.



These policies must seize the opportunities of environmental and digital transitions.

Further information on the topic can be found here:  
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